

DRAFT

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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Programs Branch**

**RESOLUTION T-16748
May 22, 2003**

R E S O L U T I O N

**RESOLUTION T-16748. APPROVAL OF THE CALIFORNIA
TELECONNECT FUND (CTF) ADMINISTRATIVE COMMITTEE FUND
BUDGET FOR JULY 1, 2003 THROUGH JUNE 30, 2004 TO COMPLY
WITH THE REQUIREMENTS OF PUBLIC UTILITIES CODE SECTIONS
270-281.**

Summary

On May 9, 2002, the California Teleconnect Fund (CTF) Administrative Committee (AC) ¹ filed with the Executive Director of the California Public Utilities Commission its proposed budget for July 1, 2003 through June 30, 2004.

This resolution maintains the surcharge rate of 0.0% until further revised by the Commission and adopts a budget of \$34,511,916 for fiscal year (FY) 2003-04 for the CTF Administrative Committee Fund.

Background

The California Teleconnect Fund was implemented under Decision (D.) 96-10-066 on October 25, 1996. In this decision, the Commission reaffirmed its' commitment to universal service, and in accordance with state and federal directives, created the CTF to provide discounted rates for a family of telecommunications services for schools and libraries, government-owned health care providers and qualifying community based organizations.

In October 1999, PU Code Sections (§) 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). § 270(b) requires that the monies in the

¹ Pursuant to Public Utilities Code § 275 (a), the CTF-AC functioned as an Advisory Committee, not as an Administrative Committee, after September 30, 2001.

² Pursuant to Public Utilities Code § 270 (a) (6), the fund name will be California Teleconnect Fund -Administrative Committee Fund.

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CTF and five other funds may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act.

On May 9, 2002, the CTF-AC submitted a letter request to the Executive Director seeking the approval of the July 1, 2003 to June 20, 2004 budget of \$40.310 million and a surcharge rate of 0.0%. This budget request was filed in accordance with Ordering Paragraph 7 of Resolution T-16521. Further, this letter request is consistent with similar requests for other public programs that have submitted FY 2003-04 budgets for Commission consideration.

Notice/Protests

Notice of the AC's budget letter request was published in the Commission Daily Calendar of May 9, 2002. No protest to the letter request was received by the Telecommunications Division.

Discussion

In this Resolution, the Commission adopts the following:

- The surcharge rate is continued at 0.0% until further revised by the Commission.
- The CTF program budget for FY 2003-04 in the amount of \$34,511,916.

In Resolution T-16686 dated December 5, 2002, the Commission approved a revised \$59.063 million FY 2002-03 budget for the CTF and a projected ending fund balance of \$56.155 million. Appendix A shows a comparison between the Commission adopted revised program budget and revised FY02/03 as projected to June 30, 2003 with adjusted billing base of \$19,017,199,000. The updated budget will result in a projected fund balance of \$110.089 million as of June 30, 2003.

Appendix B shows the FY 2003-04 CTF budget as proposed by the CTF Administrative Committee in May 2002 and TD's proposed FY 2003-04 Budget as revised on 4/15/03. Of the \$34.512 million proposed budget for FY 2003-04, \$31.765 million is for claim payments submitted by the carriers providing CTF discounted services, \$2.015 million for financial, compliance and surcharge remittance audits, \$23,000 for banking fees, \$26,000 for Advisory Committee expenses, \$158,000 for Administrative/Staff Costs, and \$525,000 for inter-agency, programming and maintaining the electronic and monitoring systems.

Based on the telecommunications surcharge revenue remittances for the past fiscal year 2001-02 and the forecast of such surcharge revenue remittances for FY 2002-03, the estimated intrastate billings subject to surcharge are revised to \$19,845,588,079 for FY

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2003-04. The forecast is based on a 4.35%² growth on the FY 2002-03 estimated billing base of \$19,017,199,000 used in Resolution T-16685 dated January 30, 2003.

The current CTF surcharge rate of 0% is maintained until further revised by the Commission.

Notice of Availability

In the past, the Commission has served a hard copy of this resolution on all telecommunications carriers and the parties of record in R. 95-10-020/I95-01-021. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, the Telecommunications Division has informed the telecommunications carriers and the parties of record in R. 95-01-020/I95-01-021 on the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission web-site, www.cpuc.ca.gov.

Comments

In compliance with PU Code § 311 (g), the draft of this Resolution was mailed on April 22, 2003 to carriers serving CTF customers, the CTF-AC, and the parties of record in R. 95-01-020/I95-01-021. A copy of this resolution is available at www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm and is available for public comments. In addition, the Telecommunications Division (TD) informed these parties of the availability of the conformed resolution at the same website. A letter advising all carriers of record of the availability of this resolution was mailed on April 22, 2003.

Comments received on a timely basis will be addressed by the Telecommunications Division in this resolution.

Findings

1. In October 1999, Public Utilities Code (PU) Code § 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code § 270(b) requires that the monies in California Teleconnect Fund (CTF) Administrative Committee Fund may only be disbursed pursuant to § 270-281 and upon appropriation in the annual Budget Act.
3. Resolution T-16686 dated December 5, 2002 adopted a revised budget of \$59.063 million with a fund balance of \$56.155 million.

² This growth rate reflects personal income percentage changes for California projected by UCLA Anderson in December 2002 for 2003 and 2004.

4. The updated FY 2002-03 CTF budget, as shown in Appendix A, projects expenses to be \$29.222 million and ending fund balance as of June 30, 2003 to be \$110.089 million.
5. The updated FY 2002-03 CTF budget, as set in Appendix A of this resolution, is reasonable and should be adopted.
6. On May 9, 2002, the CTF Administrative Committee (AC) submitted a letter request to the Executive Director seeking the approval of the CTF Fiscal Year (FY) 2003-04 budget of \$ 40.310 million and a surcharge rate of 0%.
7. The updated Telecommunications Division proposed budget for the CTF for FY 2003-04 of \$34,511,916, as set forth in Appendix B of this resolution, is reasonable and should be adopted.
8. The surcharge rate of 0.0% should be maintained for FY 2003-04 until further revised by the Commission.
9. The draft of this resolution was mailed to carriers serving CTF customers, the CTF-AC and the parties of record in R. 95-01-020/I95-01-021. A copy of the cover letter of that mailing was also sent to each of the Commission certificated telecommunications carriers advising them of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site.

THEREFORE, IT IS ORDERED that:

1. The updated CTF Fiscal Year (FY) 2002-03 budget, as shown in Appendix A, of this resolution is adopted.
2. The budget for the California Teleconnect Fund (CTF) for FY 2003-04 of \$34,511,916 as set forth in Appendix B of this resolution is adopted.
3. The surcharge rate of 0.0% shall be maintained for FY 2003-04 until further revised by the Commission.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 22, 2003. The following Commissioners approved it:

WILLIAM AHERN
Executive Director

APPENDIX A			
CALIFORNIA TELECONNECT FUND ADMINISTRATIVE COMMITTEE			
ADOPTED VS. UPDATED PROGRAM BUDGET FOR FY 2002-03			
		Revised FY 02/03 as Adopted in Res. T-16686	Revised FY 02/03
1	Beginning Fund Balance	76,303,000	176,302,897
	Accruals for prior years		
2	FY 01/02		71,976,659
3	Total Accruals		71,976,659
	Revised Fund Balance		104,326,238
	Revenues		
4	Projected Billing Base	18,000,000,000	19,017,199,000
5	Surcharge Rate	0.20%	0.20%
6	Surcharge Revenue	36,000,000	30,000,000
7	Other Income	0	0
8	Investment Income	2,915,000	2,033
9	Interest @ 2.5%	0	4,983,128
10	Penalty	0	
11	Total Revenue	38,915,000	34,985,161
	Claim Expense		
12	Claim Payments	53,763,000	28,429,981
13	Prior Claim Payments		
14	Interest Payments	3,000,000	100,000
15	Total Payments	56,763,000	28,529,981
	Audits		
16	Financial Audit	100,000	
17	Compliance Audit	500,000	
18	Remittance Audit	600,000	
19	Claims Audit	900,000	
20	Total Audits	2,100,000	25,985
	Banking Fees		
21	Trust/Zero based account	12,000	
22	Lockbox	18,000	
22	Total Banking Fees	30,000	17,500
	Committee Expenses		
23	Per Diem	4,000	4,000
24	Travel Expenses	5,000	8,850
25	Meeting Room & Related Expenses		
26	Total Committee Expenses	9,000	12,850
	Admin/Staff		
27	Fiscal Office Staff	141,000	123,000
28	TD Staff		
29	Staff Travel		
30	Total Admin/Staff	141,000	123,000
	Other Items		
32	Intra-Agency	0	463,000
33	Programming Consultant	20,000	20,000
34	Electronic Document Storage	0	30,000
35	Total Other Items	20,000	513,000
36	Total Program Expenses	59,063,000	29,222,316
37	Projected Ending Balance with accruals	56,155,000	110,089,082
	Notes:		
Line	1: Beginning balance cited in FY 02/03 estimate is the reconciled balance as of July 1, 2002.		
	3: Accruals were calculated using estimated liabilities less claims actually paid for those periods. Accruals not carried over to 03/04 to avoid counting prior years liabilities twice.		
	4: Billing base is adjusted to reflect updated data.		
	5: Surcharge rate is average between .30% surcharge for Jul-02 thru Dec-02 and 0% for Jan-03 through Jun-03.		
	6: Revenues were accounted for the 2 month lag in surcharge receipts on an accrual basis.		
	9: Interest income is estimated on interest payments of 2.5% on a declining balance.		
	12: Claim estimates are based on analysis of data from each claiming carrier and approved applications from carriers not yet submitting claims with a 15% annual increase over current levels.		
	23 & 24: Committee travel and per diem is estimated based on the committee members eligible to claim per diem.		
	25: Meeting room and other expenses includes accomodations for disabled participants, conference call expense, remote room rental and other expenses.		

APPENDIX B				
CALIFORNIA TELECONNECT FUND ADMINISTRATIVE COMMITTEE				
PROGRAM BUDGET FOR FY 2003-04				
		CTF-AC Proposed FY 03/04 as submitted 5/8/02	TD Proposed FY 03/04 as revised 4/15/03	Adopted
1	Beginning Fund Balance	0	110,089,082	110,089,082
	Accruals for prior years			
2	FY 01/02			
3	Total Accruals			
	Revised Fund Balance		110,089,082	110,089,082
	Revenues			
4	Projected Billing Base	19,845,588,079	19,845,588,079	19,845,588,079
5	Surcharge Rate	0	0	0
6	Surcharge Revenue	0	0	0
7	Other Income			
8	Investment Income	0	2,457,270	2,457,270
9	Interest @ 2.5%	0		
10	Penalty	0		
11	Total Revenue	0	2,457,270	2,457,270
	Claim Expense			
12	Claim Payments	37,445,000	31,664,916	31,664,916
13	Prior Claim Payments	0		
14	Interest Payments	100,000	100,000	100,000
15	Total Payments	37,545,000	31,764,916	31,764,916
	Audits			
16	Financial Audit	15,000	15,000	15,000
17	Compliance Audit	500,000	500,000	500,000
18	Remittance Audit	600,000	600,000	600,000
19	Claims Audit	900,000	900,000	900,000
20	Total Audits	2,015,000	2,015,000	2,015,000
	Banking Fees			
21	Trust/Zero based account	4,000	19,000	19,000
22	Lockbox	19,000	4,000	4,000
23	Total Banking Fees	23,000	23,000	23,000
	Committee Expenses			
24	Per Diem	19,000	4,800	4,800
25	Travel Expenses	30,000	6,400	6,400
26	Meeting Room & Related Expenses		14,800	14,800
27	Total Committee Expense	49,000	26,000	26,000
	Admin/Staff			
28	Fiscal Office Staff	158,000	158,000	158,000
29	TD Staff	0	0	0
30	Staff Travel	0	0	0
31	Total Admin/Staff	158,000	158,000	158,000
	Other Items			
32	Intra-Agency	468,000	463,000	463,000
33	Programming Consultant	25,000	25,000	25,000
34	Electronic Document Storage	37,000	37,000	37,000
35	Total Other Items	529,000	525,000	525,000
36	Total Program Expenses	48,318,000	34,511,916	34,511,916
37	Projected Ending Balance	0	76,034,437	76,034,437
Notes:				
Line 3:	Accruals were calculated using estimated liabilities less claims actually paid for those periods. Accruals not carried over to 03/04 to avoid counting prior years liabilities twice.			
4:	Billing base is estimated based on a 4.35% increase over the previous year.			
8:	Investment income is estimated on interest payments of 2.5% on a declining balance.			
12:	Claim estimates are based on analysis of data from each claiming carrier and approved applications from carriers not yet submitting claims with a 15% annual increase over current levels.			
24 & 25:	Committee travel and per diem is estimated based on the committee members eligible to claim per diem.			
26:	Meeting room and other expenses includes accommodations for disabled participants, conference call expense, remote room rental and other expenses.			